

VANDERBILT CORWITH FIRE
AND RESCUE BOARD
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2013

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 22, 2013

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan as of and for the year ended March 31, 2013, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Vanderbilt Corwith Fire and Rescue Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan as of March 31, 2013, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2013

The Management's Discussion and Analysis report of the Vanderbilt Corwith Fire and Rescue Board covers the Fire Board's financial performance during the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

Net assets at March 31, 2013, totaled \$261,879.52 for governmental activities.

Overall revenues were \$88,249.45.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Board and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Fire Board in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Fire Board as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Board's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Board are reported as governmental activities. These include the General Fund.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

CONDENSED FINANCIAL INFORMATION
For the Year ended March 31, 2013

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2012</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2013</u>
Current Assets	109 340	91 788
Capital Assets	<u>146 432</u>	<u>170 401</u>
Total Assets	<u>255 772</u>	<u>262 189</u>
Current Liabilities	-	309
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>309</u>
Net Assets:		
Invested in Capital		
Assets	146 432	170 401
Unrestricted	<u>109 340</u>	<u>91 479</u>
Total Net Assets	<u><u>255 772</u></u>	<u><u>261 880</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2012</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2013</u>
Program Revenues:		
Fees and Charges		
for Services	5 301	1 006
General Revenues:		
Property Taxes	64 393	86 113
Interest	194	92
Miscellaneous	<u>242</u>	<u>1 038</u>
Total Revenues	<u>70 130</u>	<u>88 249</u>
Program Expenses:		
Public Safety	<u>61 210</u>	<u>82 141</u>
Total Expenses	<u>61 210</u>	<u>82 141</u>
Change in Net Assets	8 920	6 108
Net Assets, April 1	<u>246 852</u>	<u>255 772</u>
Net Assets, March 31	<u><u>255 772</u></u>	<u><u>261 880</u></u>

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2013

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Fire Board's funds, focusing on significant (major) funds not the Fire Board as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Fire Board has the following types of funds:

Governmental funds: All of the Fire Board's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Fire Board's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Fire Board's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE FIRE BOARD AS A WHOLE

Our largest expenditures are in the wages and insurance categories, accounting for approximately one half of our expenditures.

FINANCIAL ANALYSIS OF THE FIRE BOARD'S FUNDS

The General Fund pays for all of the Fire Board's governmental services.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Board's governmental activities invested \$37,833.24 in capital assets.

The Fire Board's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Passage of the 2.0 mill, 5 year property tax levy assures funding for the next 3 years.

CONTACTING THE FIRE BOARD'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Fire Board Clerk or Fire Board Treasurer at 989-983-2865.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	82 761 32
Taxes receivable	<u>9 026 41</u>
Total Current Assets	<u>91 787 73</u>
NON-CURRENT ASSETS:	
Capital Assets	272 895 85
Less: Accumulated Depreciation	<u>(102 495 22)</u>
Total Non-current Assets	<u>170 400 63</u>
TOTAL ASSETS	<u><u>262 188 36</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Accounts payable	<u>308 84</u>
Total Current Liabilities	<u>308 84</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>308 84</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	170 400 63
Unrestricted	<u>91 478 89</u>
Total Net Assets	<u>261 879 52</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>262 188 36</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2013

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	<u>82 141 54</u>	<u>1 006 00</u>	<u>(81 135 54)</u>
Total Governmental Activities	<u><u>82 141 54</u></u>	<u><u>1 006 00</u></u>	<u><u>(81 135 54)</u></u>
General Revenues:			
Property taxes			86 113 34
Interest			92 18
Miscellaneous			<u>1 037 93</u>
Total General Revenues			<u>87 243 45</u>
Change in net assets			6 107 91
Net assets, beginning of year			<u>255 771 61</u>
Net Assets, End of Year			<u><u>261 879 52</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND

March 31, 2013

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	82 761 32
Taxes receivable	<u>9 026 41</u>
Total Assets	<u><u>91 787 73</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>308 84</u>
Total liabilities	<u>308 84</u>
Fund equity:	
Fund balance:	
Unassigned	<u>91 478 89</u>
Total fund equity	<u>91 478 89</u>
Total Liabilities and Fund Equity	<u><u>91 787 73</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2013

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	91 478 89
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	272 895 85
Accumulated depreciation	<u>(102 495 22)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>261 879 52</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2013

	<u>Total (General)</u>
Revenues:	
Property tax	86 113 34
Charges for services	1 006 00
Interest	92 18
Miscellaneous	<u>1 037 93</u>
Total revenues	<u>88 249 45</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages	24 885 88
Payroll taxes	1 702 37
Insurance	14 363 00
Repairs and maintenance	4 606 10
Supplies	11 510 89
Telephone	1 942 50
Utilities	4 678 37
Training	10 00
Professional services	2 261 00
Miscellaneous	2 317 19
Capital outlay	<u>37 833 24</u>
Total expenditures	<u>106 110 54</u>
Excess (deficiency) of revenues over expenditures	(17 861 09)
Fund balance, April 1, 2012	<u>109 339 98</u>
Fund Balance, March 31, 2013	<u><u>91 478 89</u></u>

The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2013

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND (17 861 09)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(13 864 24)
Capital Outlay	<u>37 833 24</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>6 107 91</u></u>
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The accompanying notes are an integral part of these financial statements.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Board contain all the Fire Board funds that are controlled by or dependent on the Fire Board's executive or legislative branches.

The reporting entity is the Vanderbilt Corwith Fire and Rescue Board. The Fire Board is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Board as the primary government.

The Fire Board was organized in 1992 and includes the Village of Vanderbilt and the Township of Corwith. The governing Fire Board consists of 5 members – two appointed by each local unit of government and the fifth member is appointed by the other members. The Fire Board provides fire protection services to the local units and is considered a separate entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Board's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Board reports only one fund as follows:

The General Fund is used to record the operations of the Fire Board which pertain to maintaining and operating the Fire Board. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Board. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Board as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	10-20 years
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VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Board provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Fire Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 3 – Deposits and Investments (continued)

The Fire Board has designated one bank for the deposit of Fire Board funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Board's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>82 761 32</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	85 589 98
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>85 589 98</u>

The Fire Board did not have any investments as of March 31, 2013.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fire Board manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Fire Board contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Fire Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Fire Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Note 4 – Capital Assets

Capital asset activity of the Fire Board's Governmental activities for the current year are as follows:

	Balance 4/1/12	Additions	Deletions	Balance 3/31/13
<u>Governmental Activities:</u>				
Equipment	235 062 61	37 833 24	-	272 895 85
Total	235 062 61	37 833 24	-	272 895 85
Accumulated Depreciation	(88 630 98)	(13 864 24)	-	(102 495 22)
Net Capital Assets	<u>146 431 63</u>	<u>23 969 00</u>	<u>-</u>	<u>170 400 63</u>

Note 5 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 6 – Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Pension Plan

The Fire Board does not have a pension plan

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	65 380 00	65 380 00	86 113 34	20 733 34
Charges for services	-	-	1 006 00	1 006 00
Interest	-	-	92 18	92 18
Miscellaneous	-	-	1 037 93	1 037 93
Total revenues	<u>65 380 00</u>	<u>65 380 00</u>	<u>88 249 45</u>	<u>22 869 45</u>
Expenditures:				
Public safety:				
Fire protection	61 880 00	68 780 00	68 277 30	(502 70)
Capital outlay	<u>3 500 00</u>	<u>38 000 00</u>	<u>37 833 24</u>	<u>(166 76)</u>
Total expenditures	<u>65 380 00</u>	<u>106 780 00</u>	<u>106 110 54</u>	<u>(669 46)</u>
Excess (deficiency) of revenues over expenditures	-	(41 400 00)	(17 861 09)	23 538 91
Fund balance, April 1, 2012	<u>-</u>	<u>41 400 00</u>	<u>109 339 98</u>	<u>67 939 98</u>
Fund Balance, March 31, 2013	<u>-</u>	<u>-</u>	<u>91 478 89</u>	<u>91 478 89</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 22, 2013

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the financial statements of the Vanderbilt Corwith Fire and Rescue Board for the Year ended March 31, 2013. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Vanderbilt Corwith Fire and Rescue Board in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

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In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

SEGREGATION OF DUTIES

The Fire Board's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire Board cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control

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PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements for the Year ended March 31, 2013.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants